Ontario

2003
Budget Speech

Ontario Budget

THE RIGHT CHOICES:
Securing our Future

The Honourable Janet Ecker
Minister of Finance

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BUDGET SPEECH

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Introduction

Good afternoon to everyone here, to the people in the satellite locations, those watching on TV, and participating via the Internet.

This is indeed an historic occasion, not only because of the 21st-century process of delivering this Budget speech, but equally so for its content.

This is Ontario's fifth balanced budget in a row. The last time this happened was almost 100 years ago.

Through prudent management of your dollars, the government is keeping the promise it made to you to bring jobs and growth to Ontario. Our economic plan is working. It's produced more than one million jobs already.

Today, I'd like to talk with you about our plan, its success and the reasons it needs to continue.

A government's budgetary policy impacts you and your family. It matters.

The decisions a government makes in a Budget are never easy. Many competing demands require difficult choices. A keen sense of balance is needed.

To guide us, I travelled to 17 communities and talked with more than 1,300 people from all walks of life. We received 450 submissions.

You told me that health care and education are your most important priorities. That your children and grandchildren need high standards and resources in school to succeed. That you require quality health care, when and where you need it, to stay well and get well.

You told me that continued tax relief is important not just because it rewards individual initiative by leaving more money in your pocket to spend, save or invest, but because you recognize that lower taxes attract and keep jobs here.

You spoke about how our young people need more opportunities for post-secondary education—for skills training and apprenticeships. And about your concerns for your parents' and grandparents' ability to live independently in their own homes.

You made it clear that strong communities require roads, transit, and safe and clean water.

You told me that you wish governments were more accountable for the way they spend your tax dollars because you are often skeptical about whether the results are meeting your priorities.

While it is never possible to meet every need, this Budget reflects your priorities.

A Strong Recovery

Let me begin with our economic situation.

After the September 11 terrorist attacks, Ontario faced dramatically slower growth and lower revenues.

Since then, however, because of the fundamentals we put in place, we not only sustained our growth, but Ontario's economy has also rebounded faster and stronger than our G-7 trading partners.

Even though the growth expectations for 2002 were modest, by last June, Ontario was already emerging from the economic downturn. We now estimate the Ontario economy grew by 3.8 per cent last year.

Ontario's plan produces sustained growth

- **Despite continued weak U.S. economic performance, Ontario's estimated growth in 2002 was 3.8 per cent, more than two and a half times the rate of the previous year.**
- **228,000 net new jobs were created during the past 12 months alone.**
- **Ontario created 32,000 net new manufacturing jobs in 2002, leading all provinces and U.S. states.**
- **There were 83,600 housing starts, the highest level in 13 years.**

Through prudent management, including the use of a portion of our reserve and the one-time increase in federal transfers for health care, we balanced the budget in 2002-03—for the fourth year in a row.

We'll pay down the mortgage on our children's future with a $484 million payment on the debt, bringing debt repayment to a total of $5 billion, as we promised. We are the first government in Ontario's history to do so.

"Thanks to your government, Ontario's economy has continued to grow during tough economic times in North America. Real output, jobs and investment are all on the rise, and we look forward to continued growth and prosperity in the Province."

Canadian Plastics Industry Association, 2003 pre-Budget consultation submission

Last year's economic performance created a solid foundation for this year's growth. Private-sector forecasts for Ontario's growth range from 2.8 to 3.5 per cent in 2003, rising to a range of 3.4 to 4.1 per cent in 2004.

Continued growth and prosperity in 2003 and 2004

- **More new jobs:** Employment growth of up to 3.5 per cent this year and next.
- **More investments in productivity:** Real business investment in machinery and equipment rising by 4 per cent in 2003 and 6.5 per cent in 2004.
- **More take-home pay:** Real disposable income to increase by 3.5 per cent this year and 4.5 per cent in 2004.
- **More homes for families:** Another 160,000 housing starts over the next two years.

Ontario faces two risks to this positive outlook.

The first risk is the possibility of economic insecurity stemming from the conflict in Iraq. So far, we have seen volatile energy prices, turbulent stock markets and reduced U.S. demand for our products. These and other potential economic impacts reinforce the need for continued caution.

Actions and decisions of the federal government constitute a second risk.

Health care is your top priority and our government's, yet Ottawa's recent funding announcement falls short of what you expected and what the Romanow Commission on the Future of Health Care in Canada recommended.

The federal government made a one-time increase in Canada Health and Social Transfer (CHST) supplement payments to Ontario of $967 million in 2002-03. We have applied this entire one-time increase against our health care expenditures for the 2002-03 fiscal year.

While total CHST funding for 2002-03 increased by $2.1 billion, this increase in federal transfers does not begin to make up the loss from previous federal cutbacks. Nor does it address the anticipated growth rate in this critical sector. For 2003-04, the total increase in federal funding is only $143 million, while we are increasing total health care funding by $1.9 billion.

After all the fanfare, the federal government's recent funding increase raised its share of Ontario's spending on health and social programs from 14 per cent to about 17 per cent in 2002-03—and this will fall this year. Seventeen per cent and falling is no one's definition of fair share—certainly not Ontario's.

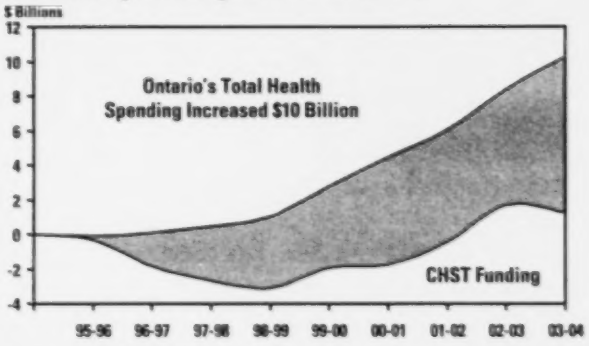
Health care is just one obvious example of the growing fiscal imbalance between the federal government and the provinces.

While all provinces are struggling to pay for the fastest-growing programs—health and education—federal government surpluses continue to accumulate. More than enough tax money is being collected in Canada. The problem is that it is not being spent on your priorities.

Worse yet, Ontario does not get its fair share of national program funding from Ottawa. This province contributes significantly not only to Canada's economic well-being, but also to the fiscal well-being of other provinces through equalization payments.

We accept our responsibility. But it's only fair that we receive our fair share from Ottawa. Every year, Ottawa spends in Ontario almost $40 billion less than it raises in taxes. For example, an unemployed person in Ontario receives $500 less from national Employment Insurance training programs than the average in the rest of Canada. The federal government spends only $877 per immigrant in Ontario for settlement supports; in Quebec it provides an estimated $2,632 per immigrant.

Change in CHST Payments and Ontario's Health Spending Since 1994-95



Source: Ontario Ministry of Finance.

This isn't fair. National programs should deliver the same benefits to all Canadians, regardless of where they live.

Ontario does not want special status, but our people expect equal status.

Cutting Waste

Despite these risks, we must continue to make the difficult decisions to keep our budget balanced and focused on people's priorities. By reducing inefficiencies and waste, we have increased spending on health, education and the natural environment, and reduced other real program spending per person by close to 30 per cent since 1995-96.

Cutting Waste

- The number of public servants cut by almost 20,000 since 1995.
- Corporate welfare eliminated, saving $90 million annually.
- The number of politicians at Queen's Park reduced by 21 per cent, from 130 to 103.
- The "March madness" of year-end government spending stopped.
- More than 2,000 unneeded regulations repealed through the Red Tape Commission.

You have told us that there's still much more to do. We agree. That's why my colleague David Tsubouchi, the Chair of Management Board, will find and eliminate $500 million in waste in government spending.

The government is also committed to ensuring that public assets are managed to provide full value for taxpayers, protect consumers, and deliver services efficiently and effectively.

In many cases, government ownership and delivery is the best way to do this. In others, private-sector assistance can bring improved taxpayer benefits and savings. In either case, public asset management must continue to be accountable to taxpayers.

To meet these objectives, we will continue to review government assets and services, including the government's interest in Teranet, Ontario Realty Corporation buildings and government land, and government-owned land and related leases for service centres along the 400-series highways.

Accountability for Better Results

In the pre-Budget consultations, you also told me that taxpayers deserve to know how their money is being spent and whether those expenditures achieve good results. When governments announce new investments, the money is not well used if taxpayers are unable to see improved outcomes.

Better planning, tighter management and better service

- Providing school boards, hospitals and post-secondary institutions with the details of Provincial support before the start of the new fiscal year to help them plan their activities more effectively.
- Continued implementation of Public Sector Accounting Board (PSAB) and Provincial Auditor's recommendations to ensure that the Province's books are kept in an accountable and transparent manner.
- Establishing one financial information system across the government.

Parents want to know that their children are learning effectively in our schools. Patients deserve to know how long they should expect to wait for a hip replacement. And students need to know that their education will provide them with opportunities for a lifetime.

Moving the yardsticks on performance

- In schools, a more rigorous curriculum and standardized testing now help parents see how their children are learning, and help teachers address problems through targeted programs like the Early Reading Strategy and the Early Math Strategy.
- Colleges are required to make public information on graduate employment, graduate satisfaction and employer satisfaction rates for their students. Universities must measure and make public degree-completion rates and employment rates for their students.
- Hospitals are increasingly focusing on outcomes. The Ontario Hospital Association and the Ministry of Health and Long-Term Care have developed an annual Hospital Report Card, which measures patient satisfaction and compares financial performance and clinical efficiencies and outcomes for each hospital.

These questions cannot be answered unless government changes the nature of the traditional debate from "more" or "less" dollars to what those dollars buy.

The government is committed to delivering the real results that taxpayers expect.

School boards, hospitals, colleges and universities said they could accomplish this more effectively if they had commitments for multi-year base funding.

Today I am delivering on Premier Eves' commitment to do this.

This is stable base funding on which our partners can depend. In return, taxpayers expect to see better results. Any additional funding will be subject to three key factors—economic growth, the level of federal government support and results to be achieved through greater accountability.

We will work with our partners to set targets and benchmarks to do this.

Ontario's Tax Cuts Are the Key to Opportunity and Prosperity

To meet the needs of Ontario's schools, hospitals, colleges and universities, economic growth is essential to the province.

A key component of our plan to encourage more growth is lower taxes. Our critics say higher taxes create more jobs. The record says the opposite.

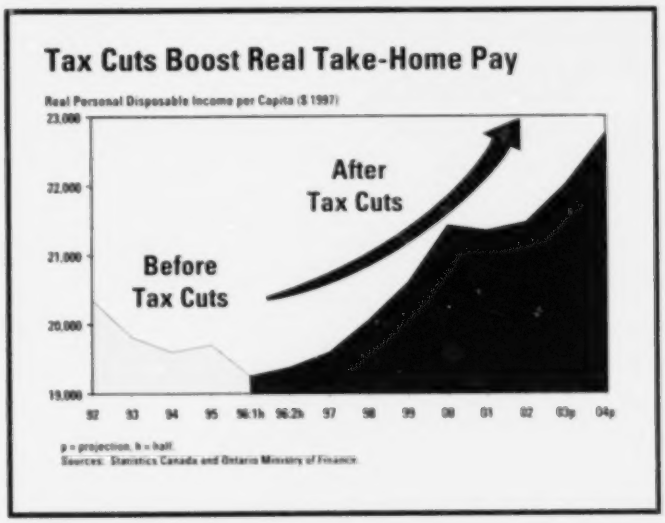
In 1995, Ontario's taxes were too high because past governments had raised them 65 times in the previous decade. Excessive taxes chased jobs and investment to Michigan, Ohio and Alberta.

Our property tax system was a disaster. How much you paid in property taxes was based on the luck of the draw rather than current market value. School boards had raised property tax rates by over 60 per cent in the previous 10 years and increased their revenues by over 120 per cent, while enrolment had increased by only 16 per cent.

Dramatic action was needed to take Ontario in a new direction and to kick-start the economy.

Our government has put in place a multi-year tax reduction plan to return Ontario to growth and prosperity. Combined with this Budget's proposals, individuals and businesses would benefit from $16 billion in tax relief in 2003-04. At the same time, tax revenues have increased by $16 billion.

This plan is working. The record proves it. And it needs to continue.



Lower personal income taxes

In our first term, we lowered Ontario's personal income tax rate by 30 per cent, as promised.

With the legislated $900 million in personal income tax relief that comes into effect on January 1, 2004, we will meet our promise of an additional 20 per cent reduction in personal income tax.

Ontario's plan is working for people

- For a typical two-earner family of four making $60,000, Ontario's personal income tax cuts mean a tax reduction of over $2,100 this year, rising to more than $2,500 next year.
- For a single individual working at the average wage, take-home pay has risen by $5,150 since 1995. While that individual is paying $740 less in Ontario income tax today, his or her federal taxes have increased by $955 since 1995.

Again, this year, we are proposing improvements to the Ontario Tax Reduction program to remove more modest-income Ontarians from our tax rolls. This would bring the total to 700,000 people who no longer pay Ontario income tax as a result of the government's personal income tax reductions since 1995.

In addition, I am proposing to raise to $75,000 the income level below which no one would pay the Ontario surtax. This would bring to 470,000 the number of people who would no longer pay this extra tax.

Property tax reforms have benefited homeowners and businesses

- Current value assessment ensures the value of property for tax purposes is both up-to-date and based on market value.
- Out-of-control education tax increases have been stopped.
- Residential education property taxes have been reduced by $250 million.
- Business education property taxes have been reduced by over $400 million.

Lower taxes on small business

Lower taxes are important to Ontario's small and medium-sized businesses, the backbone of the economy.

We remain on track to reduce the small business tax rate to four per cent in 2005. More than 125,000 businesses will benefit from this lower rate when complete.

Lower small business taxes create jobs

- Between 1990 and 1995, under higher taxes, Ontario's small and medium-sized businesses laid off a net 69,000 workers.
- Since 1995, with lower taxes, small and medium-sized businesses have hired 478,000 net new workers.

Fixing the Employer Health Tax

- Changes to the Employer Health Tax (EHT) are relieving 88 per cent of private-sector employers from paying payroll tax, and lowering the EHT for all other private-sector employers.

Small Business Rate Cut Plan

	1995	Jan. 1, 2001	Oct. 1, 2001	Jan. 1, 2003	Jan. 1, 2004	Jan. 1, 2005
Rate	9.5%	6.5%	6%	5.5%	5%	4%
Income Threshold	$200,000	$240,000	$280,000	$320,000	$360,000	$400,000

Investing in competitiveness, productivity and jobs

One of the key messages we heard in our pre-Budget consultations is that lower business taxes are crucial to attracting investment to Ontario. More capital investment is the key to higher productivity and higher wages, and plays a critical role in sustaining job growth.

"For Ontario to attract and/or retain medical device industry research and manufacturing it must recognize that it is competing with low corporate tax jurisdictions such as Ireland, Switzerland and Puerto Rico."

Medtronic of Canada Ltd., 2003 pre-Budget consultation submission

That is why we have also reduced corporate income tax rates for larger businesses and our manufacturing sector. These changes benefit approximately 50,000 firms in Ontario and the 3.6 million jobs they provide.

Ontario Corporate Income Tax Rate Cut Plan

	1995	May 2, 2000	Jan. 1, 2001	Oct. 1, 2001	Jan. 1, 2004	Jan. 1, 2005	Jan. 1, 2006
General	15.5%	14.5%	14%	12.5%	11%	9.5%	8%
Manufacturing & Processing (M&P)	13.5%	12.5%	12%	11%	10%	9%	8%

Tax rates around the world

The accounting firm KPMG conducts an annual survey of corporate income tax rates in several dozen countries around the world:

- In 2000, 10 OECD countries cut their corporate income tax rate and none increased it.
- In 2001, 12 OECD countries cut their corporate income tax rate and none increased it.

"Our new analysis in Ontario, combined with previous work done at the national level, indicates that our marginal effective tax rates are too high. We conclude that these high tax rates are negatively affecting our motivations for upgrading and innovation."

"Closing the Prosperity Gap," Task Force on Competitiveness, Productivity and Economic Progress, November 2002

"Moving forward with promised personal and corporate tax reductions will be key to Ontario's business environment. The fundamental tax reforms of President Bush's *Growth and Jobs Plan* have raised the ante for both Ottawa and Ontario to put new tax cuts back on the table. Multi-year initiatives will help the province to stay in the black."

Scotiabank Group, Sustaining Ontario's Recovery: Submission to the Ontario Standing Committee on Finance and Economic Affairs

The next step in our corporate income tax rate reduction plan will take effect on January 1, 2004. By 2006, Ontario's corporate income tax rate cuts to eight per cent will be fully implemented.

Ontario's capital tax discourages investment in buildings and equipment. It especially hits businesses in their vulnerable early years. The capital tax kills jobs.

Since 1999, the government has eliminated the capital tax for about 70,000 small businesses. In 2001, we took the first step towards eliminating this tax entirely, by making the first $5 million of taxable capital tax-free.

Today, I am proposing to reduce capital tax rates by 10 per cent starting January 1, 2004. We intend to eliminate Ontario's capital tax by the time the federal government eliminates its capital tax.

Our business tax cuts send a powerful message that Ontario is the best place in North America to do business.

There are two groups who criticize tax cuts.

Some take the ideological view that lower business taxes primarily benefit higher-income people. They are wrong. Tax cuts create jobs across the economy.

Others propose that by cancelling these business tax reductions they would realize $2.2 billion in additional tax revenue. This too is wrong. What they are actually proposing is a $600 million tax increase. This policy would kill jobs.

Supporting Investment and Economic Development

Lower taxes are only one part of our plan. It also involves strategic sectoral investments, support for innovation, strong financial markets, and aggressive skills development. This Budget includes proposals to meet those needs.

Responding to the capital needs of growing firms

- This Budget proposes:
  - changes to capital gains taxation that would enhance the ability of Ontario investors to defer the tax owing on the capital gain from their investment in a small business if they reinvest it into another small business, consistent with the 2003 federal budget announcement regarding small business rollovers;
  - changes to the Labour Sponsored Investment Fund (LSIF) program that would further support LSIF investments in companies that are having difficulty raising venture capital; and
  - changes to the Community Small Business Investment Funds program to bring new sources of capital for commercializing university and hospital research.
- The government will work with the venture capital sector to identify whether changes are required to address the needs of small capitalization firms that are having trouble raising the capital they need to expand and create jobs.
- Additional tax measures to improve the investment climate for entrepreneurs seeking venture capital would be more effective with the participation of the federal government. Ontario will approach the federal government to propose joint action.
- The government believes that an appropriately designed joint federal-provincial tax incentive, such as a flow-through share, can improve the availability of capital to biotechnology firms.

Building an innovative and highly skilled auto sector

In the past seven years, one million net new jobs have been created in the province of Ontario.

But we've only just started ... Together, we can do even better.

That's why we committed $625 million to support large-scale investments in important areas such as the auto industry.

This investment will lead to more high-skilled, high-paying jobs.

It will support the innovation, research and development that our future prosperity depends on.

Our commitment includes:

- $500 million to support industry-based innovations and to turn new ideas into next-generation products.
- And it includes $125 million for leading-edge skills training.

We challenge the federal government to match this commitment. If they did, that would bring total investment in the sector to over $1.2 billion.

What's more, we will continue to invest in new public infrastructure required by large-scale investments.

Ontario's strong record in industry research and development investments

- From 1995 to 2000, the latest data available, R&D investment in Ontario grew by over 50 per cent, reaching $797 per capita—the highest of all the provinces.
- Ontario's universities and colleges are the most successful at attracting industry R&D investment—accounting for nearly 11 per cent of R&D performed by our higher-education sector, higher than all other provinces.
- The latest data indicate that nearly 60 per cent of Canada's industrial R&D was performed in Ontario. In fact, Ontario attracted almost $3 billion in international R&D investment that year—accounting for nearly one-third of all R&D performed in our province, the largest proportion of any province in Canada.
- Inflows of international R&D investment into Ontario more than doubled between 1995 and 2000, rising twice as fast as during the previous five years.

Building skills for a growing economy

Ontario's economic surge is also increasing the need for skilled workers throughout the province. In an excellent report released last year, Garfield Dunlop, MPP for Simcoe North, recognized that meeting this need starts in schools.

That is why we are investing $90 million in our high schools over the next four years to renew technological equipment, to train teachers and to develop partnerships with employers and colleges.

Since 2000, we have invested $120 million to revitalize the apprenticeship system and to double the number of people entering apprenticeships.

Today, I am proposing to create a new refundable Apprenticeship Tax Credit for employers that would create jobs and increase the supply of skilled-trades workers in Ontario.

Added support for apprenticeships

In this Budget, the government proposes to:

- add flexibility for young people who might choose trades training by developing a new model combining a college diploma and apprenticeship;
- renew the successful Lifelong Learning Challenge Fund at TVOntario, providing $5 million to develop more online training projects in partnership with employers, focusing on apprenticeship; and
- renew programs that help women facing labour-market barriers obtain apprenticeships in the skilled trades, and skills and jobs in the information technology sector.

Safe, reliable, affordable power

Safe, reliable, affordable power is also key to Ontario's economic future. In November 2002, Premier Eves introduced a comprehensive action plan to lower electricity bills, protect consumers, encourage conservation and alternative energy, and support new supply. Today's Budget builds on the action plan with additional measures:

- To increase our supply of clean generation and to meet the growing energy needs in southern Ontario, we are moving forward, working with the private sector on the Portlands Energy Centre Project and the Niagara Tunnel Project.
- We are proposing an additional 100 per cent corporate income tax deduction for new investments in electricity self-generation from alternative or renewable energy sources.
- Working with the private sector, we will develop all of the remaining economic hydroelectric power within Ontario.
- We will tap into new sources of clean and renewable hydroelectric power through interconnections with our neighbours.
- We will work with Manitoba and the federal government on new hydroelectric capacity and the necessary transmission lines to deliver the power to the Ontario market.
- We are also continuing to review the government's power generation assets to promote competition, including development opportunities with the private sector, that can be tied to concrete commitments to increase Ontario's supply of clean electric power generation.
- In the coming weeks, my colleague John Baird, Minister of Energy, will establish an Electricity Conservation and Supply Task Force to recommend actions to meet the long-term needs of Ontario's growing economy.

Centre of Excellence for Electricity and Alternative Energy Technology

Ontario will contribute $20 million over five years to establish a new Centre of Excellence for Electricity and Alternative Energy Technology. It will bring together McMaster University, the University of Ontario Institute of Technology, Queen's University, the University of Toronto, the University of Waterloo and the private sector.

The centre will cost-share five chairs in applied energy technology. They will coordinate applied research and commercialization projects for more efficient and environmentally friendly energy technologies, and develop applied energy technology education initiatives.

Investing in Key Priorities

In the pre-Budget consultations, you spoke to me about your key priorities—health and education. But the unspoken priority we all share is our families.

Supporting our seniors

Ontario owes much to its seniors. They are our grandparents and parents, our aunts and uncles. They are also the pioneers and builders who created the prosperous province we enjoy today.

Ontario's seniors have earned our gratitude and the right to a safe and secure retirement. For many, rising costs such as property tax eat into their fixed incomes. In recognition, I am proposing to complete our commitment to reduce residential education property taxes through new tax relief for seniors.

Under our proposal, every senior homeowner or renter would receive a tax credit to reimburse them for the residential education tax that they pay, starting July 1, 2003. This would provide $450 million in net benefits annually for those people who have given so much to Ontario. That is an average net saving of $475 for 945,000 senior households.

Together with the personal income tax age credit, additional support for seniors through the Ontario Property and Sales Tax Credits and the benefits from Ontario's personal income tax cuts, this new initiative would mean $2.5 billion in tax savings per year for our seniors.

Helping meet the needs of seniors

- Cataract surgery: $10 million will be provided annually to provide access to 15,000 additional surgeries each year.
- Osteoporosis Action Plan: $7 million in annual funding will support a comprehensive plan to improve prevention, management and treatment.
- Life leases: To recognize the unique nature of this alternative form of housing for seniors, the Province intends to exempt life leases sponsored by a registered charity or a non-profit organization from land transfer tax.

Providing for families and children

Our government also continues to give high priority to supporting families and children. Between 1995 and 2002, we increased funding for children's social services by $890 million, bringing our total investment in these programs alone to $2.2 billion:

- We created the Ontario Child Care Supplement for Working Families to help low- and moderate-income families participate in the labour force.
- We made far-reaching changes to the *Child and Family Services Act* and substantially increased resources to Children's Aid Societies because nothing is more important than protecting children from abuse and neglect. A more responsive child protection system has resulted in significant increases in the number of reported cases in which children need protection.
- We are acting on the recommendations of the Early Years Study to build a network of Early Years Centres across the province to support parents and children and connect them with important services.

Highlights of current government investments in children and families

Investing in children's health and development

- Introduced the Healthy Babies, Healthy Children program.
- Expanded speech and language services for preschool children.
- Introduced immunization of school children against measles and Hepatitis B.
- Implemented an infant hearing screening program.
- $7 million for initiatives to stem the growing problem of eating disorders.
- $11 million contribution to establish and expand the Electronic Child Health Network.
- Increased funding to Children's Treatment Centres by $20 million annually.

Focusing on the early years

- An Early Years Plan of $153 million in 2002-03, growing to $192 million in 2003-04, to ensure that children under age six receive the best start in life.

Helping children with special needs

- $39 million annually for an intensive early intervention program for children with autism aged two to five.
- $27 million annually for specialized programs and services that help children whose complex special needs are not being fully met within their communities.

Protecting our children

- $26 million over four years to improve the safety and security of abused women and their children by adding 300 shelter beds; $9 million annually for counselling, telephone crisis services, and other supports.
- $10 million annually for programs to help women and children recover from the effects of domestic violence.
- $2 million over three years to the Toronto Police Service to crack down on child pornography.
- Enacted the *Rescuing Children from Sexual Exploitation Act.*
- Proclaimed *Christopher's Law* and provided $6 million annually to create and maintain the first registry of sex offenders in Canada.

Ontario Child Care Supplement (OCCS) for Working Families

- Over $200 million in benefits annually to help low- to moderate-income working families with children under age seven.
- Annual supplement of $210 per child under age seven provided to low- and moderate-income working single parents.

Ontario's Promise

- Mobilized communities and organizations in support of children and youth. To date, over $46 million committed from partners.

PROTECTING ONTARIO'S CHILDREN

In 2003-04, we are providing an additional $164 million to enable Children's Aid Societies to protect children at risk of abuse or neglect. This brings our commitment to the protection of children to over $1 billion in 2003-04.

MORE SUPPORT FOR CHILDREN WITH AUTISM

In 1999, we became the first Ontario government to fund Intensive Behavioural Intervention (IBI) for children with autism aged two to five. Current funding for this program is $39 million annually.

Today I am announcing increased funding of $33 million in 2003-04, growing to nearly $59 million in 2006-07, to expand supports and introduce new programs for all children with autism and their families.

I am also announcing that we will be providing $3 million to colleges and universities over two years to provide new training programs for professionals who provide care and treatment for children with autism.

INCREASED SUPPORT FOR CAREGIVERS

We all have friends and family struggling with the challenge of caring for aged and dependent parents and relatives.

These family members must cope with higher costs than others. Ontario's current tax system provides support to family caregivers in limited circumstances. However, individuals who care for their infirm, dependent spouses receive no recognition of their efforts through the tax system. Adult children who help their infirm parents with modest incomes to remain in their own homes also receive no tax support. Today, I propose to close these gaps and to enrich the level of tax support for family caregiving.

I am also proposing that the value of Ontario tax credits for individuals with disabilities be increased to provide greater recognition of their circumstances.

This increased tax support would provide annual benefits of $50 million to about 165,000 family caregivers and people with disabilities. This means an average tax saving of about $300 each.

Investing our health dollars wisely

Caregivers, seniors, indeed all of us, depend on access to high quality health care.

In 1995, health care in Ontario was in critical condition.

Past governments knew for years that health care needed to be reorganized, but no one did anything about it.

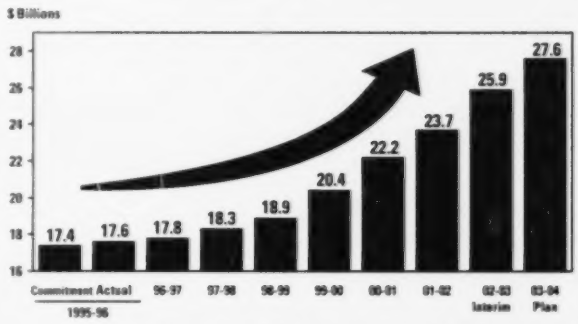
- Investments in long-term care were neglected.
- Waiting lists were too long.
- Essential diagnostic equipment such as MRIs were virtually inaccessible to millions of Ontarians.

Your government took action to renew health care in Ontario and restore public confidence in the system. We are pursuing our plan to address what you want from your universally accessible, publicly funded health care system:

- more doctors and nurses;
- shorter waiting lists;
- increased access to technology;
- better mental health services;
- and a stronger focus on keeping people well.

In short ... a strong health care system that is there when you and those you love need it.

Health Base Operating Spending Increases*



* Ministry of Health and Long-Term Care base operating spending excludes capital, restructuring and major one-time costs.
Source: Ontario Ministry of Finance.

In 1995, Ontario was spending $17.6 billion annually on health care. This year, Ontario will invest $27.6 billion in health care, an increase of $10 billion since we came to office.

Increased health care investments for 2003-04

- Additional funding to support residents in long-term care facilities and to continue the expansion of long-term care beds.
- Over $275 million for payments to physicians and other practitioners including primary care renewal.
- Almost $200 million to cover higher utilization of Ontario drug programs.
- $193 million for diagnostic and medical equipment upgrades and replacements.

We are working to increase access to health care for the people of Ontario.

Ontario's investments in health care facilities

- $194 million for the London Health Sciences Centre;
- $132 million for the Thunder Bay Regional Hospital;
- $115 million for the Ottawa Hospital;
- $89 million for the Kitchener-Waterloo Grand River Hospital;
- $17 million for the Orillia Soldiers' Memorial Hospital;
- $38 million for the Northumberland Health Care Corporation;
- $64 million for the Windsor Regional Hospital Metropolitan site;
- 186 new and 184 redeveloped long-term care beds at the F.J. Davey facility in Sault Ste. Marie;
- 160 new long-term care beds in the Town of Kingsville; and
- 200 new long-term care beds at the Yee Hong Centre in Markham.

Since Ernie Eves became Premier, we have more than doubled annual capital investment in Ontario's hospitals.

We are also advancing primary care reform:

- 330,000 patients are enrolled at 29 Family Health Network and pilot sites across the province.
- 55 community health centres and 52 health service organizations are providing primary care to more than 570,000 Ontarians.

We are also taking a number of steps to increase the supply of health professionals:

- We are expanding the number of nurse practitioners for rural and underserviced areas.
- We will reimburse tuition for nurses and nurse practitioners willing to practise in underserviced areas after graduation.
- We're completing the new Northern Ontario Medical School—the first new medical school in 30 years—with campuses at Lakehead University in Thunder Bay and Laurentian University in Sudbury.
- We are increasing the number of foreign-trained doctors certified to practise in Ontario.

Improved access to health services

- 20,000 new long-term care beds coming on-stream by 2004, plus an additional 16,000 beds being renovated to bring them up to standard.
- Number of MRIs in Ontario increased from 12 in 1995-96 to 42 today, and 10 more approved.
- Waiting times for cardiac surgery reduced by 50 per cent since 1996.
- 16 regional and district stroke centres established since 2000.
- Ontario Breast Screening Program has tripled the number of screens per year.
- Ontario's pioneering TeleHealth system—established in 2000 and expanded throughout the province in 2001—provides round-the-clock advice and information from registered nurses to an average of 3,500 Ontarians every day.

SUPPORTING CANCER RESEARCH

One in three Ontarians will develop cancer in their lifetime. Researchers and scientists say that finding a cure for breast cancer and prostate cancer is achievable in the next decade. We are building on Ontario's strengths in cancer research.

Over the next 10 years, we will invest $1 billion in a new Cancer Research Institute of Ontario. Dr. Bette Stephenson, Chair of the Ontario Innovation Trust, and Dr. Cal Stiller, Chair of the Ontario Research and Development Challenge Fund, will coordinate the effort to expand and strengthen our research capability by attracting top researchers to the province and keeping the best of our promising scientists in Ontario.

"Finding a cure for breast and prostate cancer can be done, it just takes leadership!"

Dr. Charles Hollenberg, world-renowned cancer researcher and former head of Cancer Care Ontario

ADDRESSING THE CHALLENGE OF MENTAL ILLNESS

Mental illness represents a serious challenge for many families. In any given year, one in five adults in Ontario will experience mental illness.

We will invest $250 million over five years to move forward with mental health care reform.

Reforming mental health care

- A Premier's Council on Mental Health to raise the profile of mental health and mental illness, address key Provincial initiatives, promote collaboration and monitor progress on mental health reform.
- A provincial public education campaign to build awareness and understanding of mental health issues and to combat stigma and discrimination against those living with serious mental illness.
- Expand early intervention and prevention service capacity across the province.
- Support for consumer-led activities, such as self-help support services, consumer-run businesses and leadership skills training.
- Complete divestment of the provincial psychiatric hospitals located in Whitby and North Bay.
- Create a Centre of Excellence for Children's Mental Health at the Children's Hospital of Eastern Ontario.

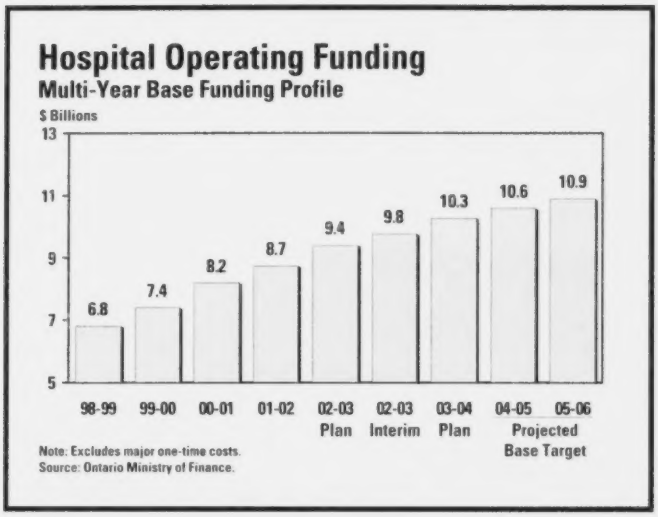
RESPONDING TO WEST NILE VIRUS

West Nile virus worries many of us. Last week, the Health Minister announced the details of our comprehensive plan to fight this virus. Today, we are committing $100 million over five years to implement this plan.

FOCUSING ON HEALTH OUTCOMES

Hospitals are central to our health care system. In 2003-04, Ontario will provide $10.3 billion to support hospitals. By 2005-06, multi-year base funding that I am announcing today will provide the hospital sector with an increase of 16 per cent over the level of support it received prior to the Third-Party Review in 2002-03.

We will work with the hospital sector to create the performance measures on which multi-year base funding will be built.



I know that hospitals have asked for more money. In fact, they've asked for an increase of two to three per cent over what we are providing in the coming year. Given the 50 per cent increase hospitals will have received since 1998-99 and our commitment to stable multi-year base funding, taxpayers have every right to expect that their needs for more and better care will be met.

Taxpayers have told me that they have other pressing priorities. Many of our most frail senior citizens reside in our long-term care facilities. To provide them with additional nursing care and assistance, I am pleased to announce that we will provide an additional $100 million annually, bringing the year-over-year increase to about $400 million.

Public education

Our schools are also a key priority for you.

Every Ontarian wants the same thing: for each of our students to achieve their full potential.

In 1995, Ontario's public education system needed reform and renewal. The curriculum was outdated. Our students were lagging behind.

Employers and post-secondary institutions complained that high school graduates lacked basic reading and writing skills.

And there was no accountability to parents, or taxpayers.

Those days are gone.

Today, in classrooms across Ontario, our reforms mean success for our students.

Student-focused funding

- Equal access for all Ontario students no matter where they live—no more "rich" or "poor" school boards.
- More money for students in classrooms, less on administration.
- Increased and protected funding for special education.
- Improved accountability for parents and taxpayers.

In addition to these quality improvements, the government introduced the student-focused funding formula to support the setting of higher standards and to increase the accountability of public education.

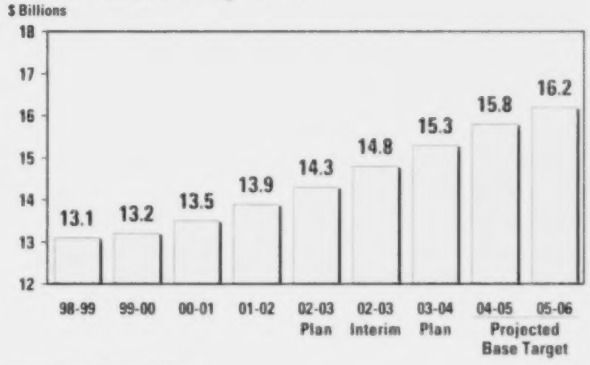
"I view the funding formula as an instrument for advancing the education goal of continuous improvement in student learning and achievement. It provides a context and acts as a prerequisite for achieving that goal."

Report of the Education Equality Task Force, 2002

Last year, we appointed Dr. Mordechai Rozanski to lead the Education Equality Task Force. He concluded that the funding formula was working, that new investments were required to better support student learning and that the education system must be more accountable to parents and taxpayers.

We are accepting his advice. By 2005-06, multi-year base funding for school boards will be 14 per cent—or almost $2 billion—higher than the funding provided in last year's Budget.

Education Funding (School Year)
Multi-Year Base Funding Profile



Source: Ontario Ministry of Finance.

This includes the announced commitments of $875 million for Ontario's public education system—increased support for special education; learning materials and textbooks; student transportation; school renewal; rural, northern and small schools; teacher salaries; and students at risk.

"...every investment accepted requires school boards, principals, teachers, and other staff to demonstrate accountability for using those resources efficiently and effectively for the purpose intended."

Report of the Education Equality Task Force, 2002

Higher standards improve student learning

- 55 per cent of Grade 6 English-language students achieved the provincial standard for reading, compared to 48 per cent four years ago.
- 55 per cent of Grade 3 French-language students achieved the provincial standard for writing, compared to 42 per cent five years ago.
- 58 per cent of Grade 3 English-language students achieved the provincial standard for mathematics, compared to 43 per cent five years ago.

In exchange for these new investments, and the implementation of the Rozanski recommendations, parents expect the system to be focused where it needs to be—on improved student learning.

Equity in Education Tax Credit

As Premier Eves announced on March 20, we intend to introduce legislation to phase in the Equity in Education Tax Credit according to the original schedule as well as measures that will provide parents with more information about how their schools are evaluating their children's progress.

Post-secondary education

We must also meet the needs of our post-secondary students.

COLLEGES AND UNIVERSITIES

Our students know one thing for sure: today's economy demands higher levels of education and skills.

And they know post-secondary experience is the best way to take advantage of the exciting employment opportunities Ontario's economy is creating.

The people of Ontario know this too.

We have more adults with post-secondary credentials than any other country in the OECD. It's a competitive advantage.

We have to do more to sustain and improve.

Because it's good for Ontario and it's good for our kids.

This fall, a record number of students will arrive on Ontario's college and university campuses, and this enrolment trend will continue well into the next decade.

In anticipation, we've undertaken the most aggressive expansion of our college and university system since the 1960s.

We have just completed a new round of SuperBuild funding, and I am pleased to announce that we will create over 20,000 new student places for a total of 135,000 new student places.

This is a massive undertaking—the equivalent of building nine new McMaster Universities, or 11 new Sheridan Colleges.

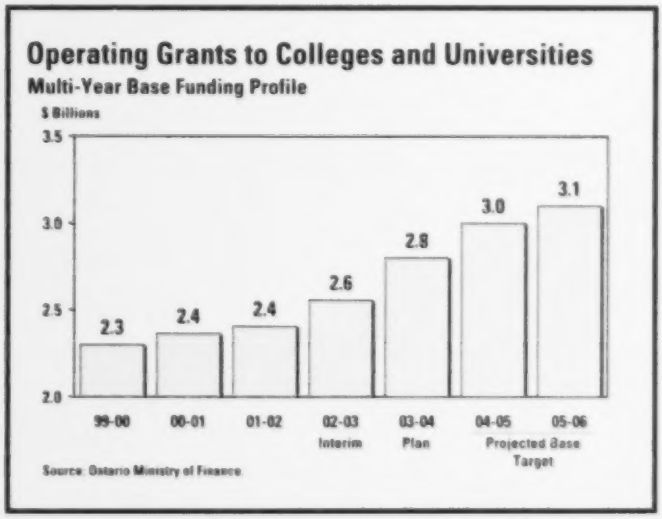
Expanding post-secondary education options

- Ontario's first new university in 40 years—the University of Ontario Institute of Technology in Durham—will open this fall.
- In February 2003, the government created three new Institutes of Technology and Advanced Learning at Humber, Conestoga and Sheridan Colleges to increase the number of applied degree programs. Georgian College is creating an Institute of University Partnerships and Advanced Studies to expand degree-level learning to the Barrie region.

The government will again raise its multi-year operating grant commitment to the post-secondary sector by an additional $75 million, bringing it to $443 million more in 2003-04 than in 2000-01.

As part of our multi-year base funding commitment, we are providing an increase of 21 per cent by 2005-06 over the 2002-03 Budget level of funding.

To ensure that the "double-cohort" students receive the quality post-secondary education they need for future success, I am announcing today the creation of two Quality Assurance Funds, one for Ontario's universities and one for Ontario's colleges.



We will provide the university fund with $75 million in 2003-04, and this will rise each year to reach $200 million in 2006-07. We will provide the college fund with $60 million in 2003-04, and this will rise each year to reach $100 million in 2006-07.

We will invest in new learning resources, upgraded equipment and student services, as well as expand the number of faculty and graduate teaching assistants.

We will work with post-secondary institutions, faculty and students to develop a performance measurement framework that will govern these Funds.

Our government is committed to ensuring that a lack of financial resources does not limit opportunities for students to pursue post-secondary education. Today I am announcing a commitment of $400 million to support phase 2 of the Ontario Student Opportunity Trust Fund, which will enable an estimated 400,000 students to attend college or university over the next decade.

HELPING STUDENTS WITH LEARNING DISABILITIES

Every student deserves equal opportunity in life, and this is particularly the case for students with learning disabilities. In 1997, our government established the Learning Opportunities Task Force, chaired by Dr. Bette Stephenson. It has been testing new approaches to improve access and support, involving 3,000 post-secondary students with learning disabilities.

We have put in place additional counselling, a mobile assessment service and new learning strategists on campus to help students. Every post-secondary institution in the province is providing special support for students with learning disabilities. This Budget builds on these investments, improving services and raising program expenditure to $14 million annually.

Making Ontario the Best Place to Live

The cleanest, safest drinking water in the world

Strong support for tough action on drinking water

"We are most encouraged to see the government moving forward with many of the recommendations made by Commissioner O'Connor. The proposed *Safe Drinking Water Act* will serve as the important cornerstone of drinking water regulation in this province."

Sharon Crosby, President, Ontario Municipal Water Association

"The government's actions today are an excellent step forward. Source protection on a watershed basis is the first critical barrier in a multi-barrier approach to the safety of our water supply."

Peter Krause, Chair, Conservation Ontario

During the past year, the government worked to put in place the toughest policies in the world for safe, clean drinking water. We're implementing the recommendations made by Justice Dennis O'Connor by strengthening legislation, doubling the number of inspectors and protecting groundwater.

Today, I am announcing the expansion of our commitment to invest in safe drinking water—to $750 million over three years.

The Province is also meeting its commitment to safe drinking water by implementing key regulations under the *Nutrient Management Act*. Steps will be taken to ensure compliance by new and large farms. No action will be required of ongoing small farms until consultations on a manageable and affordable implementation of the Act are completed and funding programs established.

Investing in clean, safe water in 2003-04

- $200 million to help municipalities meet tough new drinking-water quality standards.
- $31 million for provincial park compliance with new water regulations.
- $41 million to support safe drinking-water legislation and compliance.
- $10 million for R&D and increased access to training through the Clean Water Legacy Trust and the Clean Water Centre of Excellence.

Strong communities

Ontario municipalities have benefited from a significant range of reforms and investments introduced since 1995.

Supporting Strong Communities

- Realigned provincial and municipal responsibilities have improved accountability for public services and provided municipalities with stable costs and growing revenues.
- A comprehensive reform of the property tax system has restored the major revenue source for municipal governments and strengthened their fiscal health.
- The new *Municipal Act* is providing Ontario municipalities with new tools to meet their modern governance responsibilities.
- This year alone, over $1.2 billion in operating and capital support is being provided for municipalities.

Ontario Small Town and Rural (OSTAR) Infrastructure Program

- $460 million over five years for key infrastructure projects in Ontario's agricultural and rural areas, small towns and cities.
- Many investments are helping municipalities upgrade water systems to comply with the Drinking Water Protection Regulation and to address other public health and safety issues, including a $20 million investment to upgrade wastewater infrastructure in Sault Ste. Marie.

We are introducing new initiatives to help municipalities respond to local challenges. We are committing $1 billion in start-up capital to the new Ontario Municipal Economic Infrastructure Financing Authority (OMEIFA) to assist municipalities with the financing of transportation and water infrastructure through low-cost loans. Ontarians will have the opportunity to support these investments through provincially tax-free Ontario Opportunity Bonds.

During the pre-Budget consultations, municipal leaders asked for new funding from Ottawa and the Province. To advance this dialogue, we will provide an increasing level of funding for municipalities. By 2005-06, this multi-year funding will result in an increase of 18 per cent over the 2002-03 Budget level.

As I stated earlier in this Budget, additional multi-year funding will be subject to three key factors —economic growth, the level of federal government support, and results achieved through greater accountability. We will work with municipalities to incorporate results and greater accountability for public investments and public services into all funding and program decisions. We will work together to make the case to the federal government for increased funding for Ontario's municipalities.

Millennium Partnerships

- $271 million over five years to support infrastructure renewal in eight major cities outside the GTA.
- Projects include a $19 million investment in Windsor to upgrade wastewater infrastructure to improve water quality in the Great Lakes and a $13 million investment towards the University of Waterloo Research and Technology Park.

The Provincial Transit Investment Plan includes:

- $1 billion for GO Transit base capital needs;
- $750 million for the municipal transit renewal program;
- $1.25 billion for inter-regional transit expansion in the Golden Horseshoe Region; and
- $250 million for strategic transit expansion projects in urban areas outside the Golden Horseshoe Region.

This government has announced a 10-year plan to expand and renew Ontario's transit infrastructure.

Recently, the Central Ontario Smart Growth Panel confirmed what commuters know—GO Transit expansion is a key priority.

The Province is committed to working in partnership with the federal government and municipalities to fast-track more frequent GO trains on existing corridors, new GO Transit services to cities and towns surrounding Toronto, and other new transit services. The Province and the federal government will be announcing new strategic investments to accomplish this shortly.

I am also announcing that SuperBuild will help fund a new GTA Bus Rapid Transit system so that commuters will be able to travel quickly and reliably across the top of Toronto from Halton to Durham.

There is more that can and should be done to improve transit service in the GTA and beyond. We will create a Central Ontario Transit Authority to do this.

To remain competitive, we need to maintain and expand our highway system. Through SuperBuild, we will invest another $1 billion in highways this year as part of our 10-year, $10 billion commitment.

Northern Ontario Heritage Fund Corporation (NOHFC)

- NOHFC investments of $100 million in 2003-04 are helping communities address their most critical needs and supporting initiatives that create new opportunities for economic development throughout the North.
- Recent investment announcements include $5 million to expand digital cellular telephone service along Highway 11 stretching from Temagami to Hearst and sections of Highway 144 in the Gogama area; $5 million towards expansion of research facilities at the Northeastern Ontario Regional Cancer Centre in Sudbury; and $4.9 million for Confederation College's Aviation Centre of Excellence to develop the aerospace industry in Northwestern Ontario.

In Northern Ontario, the government will invest $370 million this year, including major investments to expand Highways 11 and 69. In addition, the government has committed to creating tax-incentive zones in rural and northern communities to help attract jobs and investment.

Sports, Culture & Tourism Partnerships (SCTP) Initiative

- $300 million over five years to improve facilities and attractions across the province.
- Investments in major cultural and tourist facilities include $30 million for the Royal Ontario Museum and $5 million for the Art Gallery of Hamilton.
- Investments in sports and recreation centres include $2.5 million for London's Entertainment and Sports Centre and $2.8 million for Peterborough's Sports and Wellness Centre.

Urban Ontario forging ahead

- Between 1995 and 2001, the GDP of Ontario's 10 major cities grew by 27.6 per cent, over 40 per cent faster than the rest of Canada outside Ontario.
- Since 1995, employment growth in Ontario's 10 major cities was nearly 50 per cent faster than in the rest of Canada.
- Housing starts in Ontario's 10 major cities have risen by 160 per cent since 1995, over 2.5 times faster than the rest of Canada.
- Municipal debt levels in Ontario's 10 largest urban regions dropped by 8.9 per cent between 1995 and 2000, while reserve funds grew by 66 per cent.

SUPPORTING SAFE AND SECURE COMMUNITIES

Our communities not only need to be strong; they also need to be safe and secure. In an uncertain and often violent world, people want to know that their government is vigilant. That we are supporting our police and other public safety workers who risk their lives to protect us.

Since 1997, the government has invested over $150 million in a wide range of initiatives designed to create a safer, more secure Ontario for our families and our seniors.

Feeling safe, being secure

- The Community Policing Partnership Program has put over 1,000 new police officers on the street.
- Special squads were established to combat organized crime.
- 165 new probation and parole officers were hired as part of the Strict Discipline model for community corrections.
- $4 million over five years starting in 2002-03 for an Elder Abuse Strategy to ensure that seniors can live with dignity, are treated with respect and are protected from harm or abuse.
- 24 Domestic Violence Court Programs were implemented; *Christopher's Law* and the *Victims' Bill of Rights* were proclaimed; the first Registry of Sex Offenders in Canada and the Office for Victims of Crime were established.

We will provide an additional $31 million over seven years to support services for victims, including linking community-based victims' services to local police services. We will double our funding to women's centres for services to help vulnerable women find jobs.

Ontarians are appalled at the sickening spread of child pornography on the Internet. This is an international crime that must be aggressively targeted and eliminated. Ontario's children must be protected. I am therefore providing an additional $1 million annually to enhance Project P, the OPP's Child Pornography Unit.

Generations of new Canadians have contributed greatly to the nation and are responsible for much of its prosperity, but some people abuse our generosity and are here illegally. In a post-September 11 world, this is not acceptable.

I am announcing an additional $1 million for the Provincial Repeat Offender and Parole Enforcement (ROPE) squad to track down people who have been ordered deported or are otherwise in the country illegally. We expect the federal government to reimburse Ontario for its costs in combating crime in what is clearly an area of federal responsibility.

Across Ontario, firefighters need additional help to respond to incidents or emergencies and preserve public safety. Up to $40 million over five years will be provided to municipal fire services in small and rural communities to assist them in the purchase of the new emergency firefighting equipment they need.

Toronto Police Chief Julian Fantino has pointed out that around the world, helicopters have proven to be a powerful tool in keeping cities safe. We will fund the purchase of a police helicopter to enhance security in Canada's largest city through the Helicopter Evaluation Project for Large Urban Areas.

Conclusion

I would like to conclude my presentation where I began. A government's budgetary policy impacts you and your family. It matters.

It's your taxes that pay for government services. It's your advice that helped shape today's decisions.

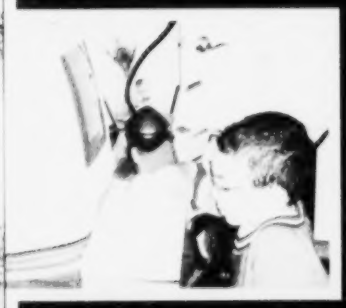
I know that the proposals I've made won't satisfy everyone. But leadership is about choices. I believe that the choices we have made, difficult as they are, will meet your most important priorities:

- to lower taxes to encourage jobs and growth;
- to invest in health and education; and
- to keep our communities strong and secure.

To the officials who helped prepare this Budget; to my caucus colleagues whose recommendations helped develop it; to the staff and family members whose support helped me deliver it, I say a sincere thank-you.

I look forward to working with Premier Eves and my colleagues to implement this plan.

THE RIGHT CHOICES:
Securing our Future



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